BULLETIN

OHIO OIL & GAS ASSOCIATION
FEBRUARY 2019
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OHIO OIL & GAS
ANNUAL MEETING
2019

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2019 Ushers in New State Government Administrations

Annual Meeting Preview

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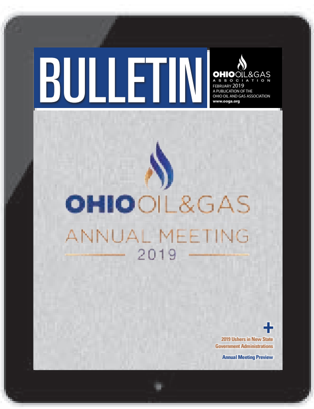

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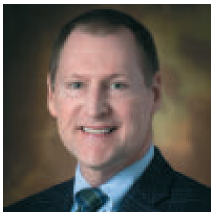
Follow the Money…



STEVE DOWNEY
OOGA PRESIDENT

I FOLLOW WITH GREAT interest the activities of the environmental activists whose sole mission is to fight fossil fuel development. I certainly understand some of the arguments and try to look at both sides of the equation to evaluate things as fairly and balanced as possible. However, I find it interesting as I read the articles that the activists' science is always proven, and the fossil fuel proponent's science never seems to be.

Even when studies, such as the University of Cincinnati's ground water study that was sponsored by the environmentalists, again proved that hydraulic fracturing has no ill effect on nearby aquifers, you did not see that data reported (by the researchers or the media) and you can bet they did their best to squelch the report since it did not support their narrative. It was a challenge to garner interest in that report from the media and if not for the good work of Energy In Depth, that study would have not seen the light of day!

The "greens" have become extremely powerful and the methods they employ are chilling. They have become increasingly coordinated and organized using an array of tactics such as public pressure, litigation, participation in the regulatory process, advocating for divestment, scare tactics, and civil discourse. These methods are not cheap, but they seem to have a never ending pot of dollars to carry out their mission. Have you ever wondered where the funding to mount this movement is coming from? Many signs point to Russia!

The U.S. House, Science, Space and Technology Committee released a report in March 2018 detailing the Russian funding of U.S. environmental groups which uses those resources to protest domestic oil and gas development. It makes sense given that analysts believe that the U.S. will surpass Russia as the largest oil producer and thus putting their livelihood at stake. The Committee identified San Francisco based Sea Change Foundation, which gets its funding from the Bermuda based shell company Klein Ltd., as the major conduit for the Russian funding of U.S. green groups. IRS Form 990 shows that Klein Ltd. contributed $23 million to Sea Change in both 2010 and 2011. Sea Change then distributed more than $40 million in grants to the Energy Foundation, the Natural Resources Defense Council, the Sierra Club Foundation, the League of Conservation Voters Education Fund, the Tides Foundation, the Union of Concerned Scientists, the World Wildlife Fund and the Virginia Organizing Project to name a few; and who knows where it was funneled from there.

What I do know is that these funds are being used to combat development of the resource and critical infrastructure that makes us energy independent, provides jobs, creates wealth, lowers energy costs to those that need it the most, and stifles opportunity. Indeed, a report by the U.S. Chamber of Commerce's Global Energy Institute contends that "anti-energy" activism has helped prevent at least $91.9 billion in economic activity in the U.S., undermine $57.9 billion in project investment, and destroyed 728,000 job opportunities.

Interestingly enough, this activism is not generating more investment in renewable energy. The Union of Concerned Scientists has called for "replacing gas and coal fired generation with renewables and efficiency," because natural gas would "lock us into a high-carbon future." Moreover, they referred to natural gas infrastructure as a "risky bet." The Sierra Club said it was trying to "forestall gas infrastructure" because "the hope is that renewables will come in and be cost competitive in all markets." So two of the entities cited above that has reaped investment from a foreign entity to undermine our industry have done nothing to advance their proclaimed wish for renewables. So it appears truly their only motivation is hinder our industry…thanks comrade.

We must go on the offensive and actively campaign to expose these entities for what they truly are through the education of the general public, regulators, legislators and anyone else that can help stop this madness. Indeed, several conservative members of Congress have proposed legislation to close the loopholes making this possible and we must make this an issue when we talk with our elected officials. So the next time you are confronted by an outraged environmentalist, ask them if they know where the money is coming from. My guess is that don't have a clue about that either.

Communication and Connections Key to Success

MATTHEW HAMMOND
EXECUTIVE VICE PRESIDENT

AS WE QUICKLY APPROACH our Annual Meeting in Columbus, we're excited to present a great slate of speakers, presentations and panel discussions that cover various aspects of the oil and gas industry. Our focus this year is to present a technical-driven agenda that will serve as a great educational opportunity for many of our members.

While our Annual Meeting is a great networking opportunity for our membership, we want to ensure that the content is valuable for everyone in attendance.

One panel I'm particularly interested in will look at technical considerations for simultaneous operations, which is a highly technical rule a group of our producers is working on. While this panel will give plenty of updates and discussion about the rule, I don't want this to be a report on what's happening with a regulatory agency. We want this to be a technical discussion amongst producers about considerations for oil and gas producers, while developing a simultaneous operations plan.

I think we all need to be careful that we do not get into a habit of just reporting to our members what we are doing to serve your interest. Whether through our events, meetings, committees or Board of Trustees meetings, we need to make sure we focus on a productive two-way dialogue between the Association staff and the membership. Help us, help you. By continuing to engage our members through our meetings, particularly by tapping into their technical expertise, is a great way to develop a valuable program for our collective membership.

Additionally, we are going to have a bylaw change that will be voted on at our Annual Meeting. The Executive Committee and the Board of Trustees has unanimously approved a resolution to expand our Executive Committee by one seat in the producer category. As the leadership of the Association has discussed over the past several months, we felt it was necessary to expand the Executive Committee to allow for an opportunity for us to further tap into our diverse and talented membership to bring additional perspectives to the Executive Committee (keep an eye out for that voting station).

We have brought on a couple of new members to our Executive Committee this year and we just wrapped our Executive Committee retreat. We discussed a number of critical matters that we have to address this year. Having fresh perspectives in the discussion was a great benefit to me and the rest of our committee members.

I encourage everyone to attend our Annual Meeting in March and register soon. Our generous sponsors and attendees are what allow this Association to continue providing quality events. Without your financial support and engagement, large, quality events are not possible. To all of our sponsors and to everyone who plans on attending our meeting, thank you for your ongoing support.

I look forward to seeing many of you in March! ■

OHIO OIL & GAS ASSOCIATION

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Welcome New Corporate Members: Myers Well Service, Orion Strategies, Gulfport Energy Corporation

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WINTER MEETING PREVIEW

OHIO OIL&GAS ANNUAL MEETING 2019

March 6-8, 2019 • Columbus Hilton at Easton
3900 Chagrin Drive, Columbus, OH 43219

WE HOPE YOU ARE already registered to join us March 6-8 for our 72nd Annual Meeting! This year OOGA is continuing to engage our event attendees with the choice of topics they want to hear and will follow a similar format to last year's event structure. This format is member driven with a focus on OOGA committee-established issues that will be presented in various breakout sessions that are open for everyone attend.

Traditional events, such as the President's Reception, Ohio Oil & Gas Producers Fund Reception, Corporate Member Reception, and the keynote luncheon will provide attendees with ample opportunities to interact with others within the industry. The vendor booths will be lining the venue halls for additional networking opportunities. Lastly, we want to extend a special THANK YOU to our event sponsors, it is their continued support and engagement that make this event possible!

To learn more about these events, including how to register, visit ooga.org. Registration at the event will also be available.

ANNUAL MEETING SCHEDULE

WEDNESDAY, MARCH 6

11:30 AM **Registration Opens**
sponsored by Ergon, Inc.

12 PM-4 PM **Exhibitor Setup**

4 PM-6 PM **Corporate Member Reception**
(complimentary to all OOGA Corporate Members)

THURSDAY, MARCH 7

7:30 AM **Registration Opens**
sponsored by Ergon, Inc.

7:30 AM 9 AM **Networking Breakfast**
sponsored by Dominion Energy

9 AM-10:30 AM **Business Sessions**
sponsored by Encino Energy

9:15 AM **Debrosse Memorial Report**
- Marty Shumway, Locus Bio-Energy Solutions, LLC

Mergers and Acquisitions and Appalachian Basin Round Up
- Tim Knobloch, Knobloch Petroleum Consultants, Inc.

10 AM **Encino Energy in Ohio**
- Hardy Murchison, Encino Energy

10:30 AM-11:45 AM **Breakouts**

I. Room 1 Hosted by OOGA Producers Committee

ODNR Orphan Well Plugging
- Deputy Director Brittney Colvin, ODNR
- Chief Rick Simmers, ODNR
- Steve Irwin, ODNR
- Duane Clark, Petrox, Inc. (Moderator)

II. Room 2 Hosted by OOGA Midstream Committee

Big changes being contemplated for pipeline safety though PHMSA's "Mega Rule" and API Standards Development
- Jon Airey, Gas Pipeline Advisory Committee
- William Ratcliffe, Williams
- Bryan Crowe, MarkWest

11:45 AM-1:15 PM **Lunch Break**

1:15 PM-3:15 PM **Business Sessions**
sponsored by Ascent Resources

1:30 PM **Technical Considerations for Simultaneous Operations**
- Jon Adcock, Ascent Resources
- Joe Baker, Encino Energy
- Joe Snider, Artex Oil Company

2:30 PM **A Series of Case Studies for Effective Community Relations**
- Allen Fore, Kinder Morgan
- Rob Boulware, Seneca Resources
- Karen Matusic, XTO Energy
- Tracy Stevens, Dominion Energy (Moderator)

3:15 PM-4:30 PM **Breakouts**

I. Room 1 Hosted by OOGA Environment Committee

II. Room 2 Hosted by OOGA Government Affairs Committee

Open Policy Discussion with Legislative Leadership

4:30 PM-5:30 PM **PAC Reception**
(suggested minimum contribution $100)

5:30 PM-7:30 PM **President's Reception**
sponsored by American Refining Group
(complimentary to all event attendees)

FRIDAY, MARCH 8

7:30 AM-9 AM **Networking Breakfast**
sponsored by Dominion Energy

9 AM-10:15 AM **Business Sessions**

9:05 AM **OOGEEP Update**
- Rhonda Reda, OOGEEP

10:15 AM-11:30 AM **Breakouts**

I. Room 1 Hosted by OOGA Commerce Committee

II. Room 2 Hosted by OOGA Legal Committee

Navigating Ohio's Legal Landscape
- James Carr, Vorys
- Anthony Jesko, Dickie, McCamey & Chilcote
- Greg Russell, Vorys (Moderator)

12 PM-1:30 PM **Keynote Lunch**
sponsored by XTO Energy, Inc.

PAUL BRADY PHOTOGRAPHY/SHUTTERSTOCK.COM

2019 Ushers in New State Government Administrations

BY BRIAN HICKMAN, DIRECTOR OF GOVERNMENT AFFAIRS, OPERATIONS MANAGING DIRECTOR

WITH 2018 BEHINDS US and 2019 upon us, new administrations are being ushered into the state. At the Governor's mansion, Mike DeWine has established his cabinet, including new leadership over at the ODNR. At the statehouse, while the leadership in the Ohio Senate remains the same, the Ohio House of Representatives elected a new Speaker in Larry Householder. Other statewide offices are also getting up and running with their key staff and additions as well.

One of the first tasks of any incoming Governor is to assemble a cabinet that will carry out your objectives. To this end, Governor DeWine has appointed Mary Mertz the new Director of the Ohio Department of Natural Resources (ODNR). Mertz previously served as the First Assistant Attorney General under Mr. DeWine, where she oversaw legal and administrative operations of the attorney general's office. Director Mertz has worked with Governor DeWine for several years, including serving as Chief of Staff to then-Lt. Governor Mike DeWine. Mertz also has extensive private and public sector legal experience.

Another key cabinet level appointment under the DeWine Administration is the Tax Commissioner, who runs the Ohio Department of Taxation. Governor DeWine has appointed Jeff McClain to serve in the role. McClain is a former member of the Ohio House of Representatives and most recently served as the Director of Tax and Economic Policy for the Ohio Chamber of Commerce. This appointment is important as a discussion with the Department of Taxation regarding rules on House Bill 430 (sales tax clarification) must be started and completed.

Over in the state legislature, leadership in the Ohio House of Representatives changed hands as former Speaker Larry Householder took the gavel once again. Householder, who was previously Speaker of the House from 2001-2004, was able to get 52 total votes (26 votes from Republicans, 26 votes from Democrats) and gain the Speaker's chair from previous Speaker Ryan Smith. Speaker Householder is currently serving his second term, meaning his speakership could last for the next six years.

To gain the support of Democrats in the House, Speaker Householder negotiated with Democrats on proposed changes to the institution, including having Democrats provide input on the overarching rules that govern the actions of the Ohio House, allowing Democratic members to co-chair select subcommittees, and proposing the elimination of the tabling of amendments, amongst others.

With a change in leadership in the House also comes a potential change in the makeup and chairs of each House committee. We know that the House Energy and Natural Resources Committee will have new leadership, as Representative Al Landis (Chair) and Representative Christina Hagan (Vice Chair) are no longer in the House. We do know that Speaker Householder has already created a subcommittee under the Energy Committee called the Energy Generation Subcommittee. One can assume that the committee (and the newly formed subcommittee) will have a busy start to the 133rd General Assembly.

Over in the Ohio Senate, everything remained the same. Senate President Larry Obhof and President Pro Tempore Bob Peterson were both re-elected to their previous leadership posts. Senator Matt Huffman was selected by his caucus to serve as the Majority Whip.

Finally, statewide Republicans also have taken their oaths of office and will continue their processes of their new posts. These include Attorney General Dave Yost, Secretary of State Frank LaRose, Treasurer Robert Sprague, and Auditor Keith Faber.

As these offices begin their respective duties, your Association will continue to educate them on the Ohio oil and gas industry and issues important to Ohio's crude oil and natural gas industry. ■

The WOTUS Saga Continues

BY RYAN ELLIOTT, VORYS, SATER, SEYMOUR AND PEASE LLP

UNDERSTANDING WHAT CONSTITUTES "WATERS of the United States" (WOTUS) has historically been an arduous task. It has required the regulated community to decipher landmark Supreme Court interpretations, apply agency guidance, and stay abreast of seemingly endless rule changes.

On December 11, 2018, USEPA and the Army Corps of Engineers (the "Agencies") released a notice of proposed rulemaking proposing to revise (again) the rule defining "waters of the United States" subject to USEPA/Army Corps jurisdiction under the Clean Water Act (the "Revised WOTUS Rule"). If finalized, the Revised WOTUS Rule would apply nationwide and replace the patchwork regulatory framework for Clean Water Act jurisdiction resulting from litigation and regulatory actions surrounding the Obama Administration's definition of WOTUS (the "2015 WOTUS Rule"[1]). Notably, the Revised WOTUS Rule would rein-in what many viewed as a massive expansion of Clean Water Act jurisdiction under the 2015 WOTUS Rule. The practical implications of the Revised WOTUS Rule is the elimination of permitting requirements for certain ponds, ditches and other water features that do not have a direct continuous connection to a traditional navigable water.

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SUMMARY OF REVISED WOTUS DEFINITION

The crux of the Revised WOTUS Rule is the replacement of the "significant nexus" concept under Justice Kennedy's plurality opinion in *Rapanos v. United States*[2] with Justice Scalia's plurality opinion which limited the jurisdictional reach of the Clean Water Act to waters with a "continuous surface connection" to traditional navigable waters. Applying Scalia's continuous surface connection concept, the Revised WOTUS Rule proposes the following with respect to the categories of waters considered "WOTUS" compared to the 2015 WOTUS Rule:

1. **Traditional navigable waters:** The Revised WOTUS Rule, like the 2015 WOTUS Rule, includes traditional navigable waters such as large rivers, lakes, tidal waters and the territorial seas.
2. **Interstate waters:** The Agencies propose to remove the interstate waters and interstate wetlands as a separate category of WOTUS. The Revised WOTUS Rule notes that most waters previously deemed jurisdictional "interstate waters" would likely remain jurisdictional WOTUS under one of the other proposed categories (i.e. traditional navigable waters or tributaries).
3. **Impoundments:** The Agencies do not propose any changes to the impoundment category of WOTUS under the Revised WOTUS Rule. Impoundments of jurisdictional waters, which have historically been determined to be jurisdictional because impounding a WOTUS does not change the water's status as a WOTUS, would remain jurisdictional under the Revised WOTUS Rule.
4. **Tributaries:** Tributaries remain a category of jurisdictional waters under the Revised WOTUS Rule. However, the Agencies explain that the Revised WOTUS Rule defines "tributary" to mean "a river, stream, or similar naturally occurring surface water channel that contributes perennial or intermittent flow to a traditional navigable water or territorial sea in a typical year either directly or indirectly through other jurisdictional waters." The proposed definition of tributary would categorically exclude surface water features that flow only in direct response to precipitation, such as ephemeral flows and certain ditches. The Revised WOTUS Rule also includes proposed definitions for "perennial," "intermittent," and "ephemeral." The proposed definition of "ephemeral" is "surface water flowing or pooling only in direct response to precipitation." The proposed definition of "perennial" is "surface water flowing continuously year-round during a typical year." The term "intermittent"

in the Revised WOTUS Rule is defined as "surface water flowing continuously during certain times of a typical year and more than in direct response to precipitation."

5. **Certain ditches:** Under the Revised WOTUS Rule, the Agencies propose to add ditches as a new category to the definition of WOTUS. The Agencies propose to define "ditches" as "artificial channels used to convey water." Importantly, the Revised WOTUS Rule delineates the category of ditches that would be jurisdictional – i.e. ditches that are: (i) traditionally navigable, (ii) constructed in a tributary or meet the definition of tributary, and (iii) constructed in a jurisdictional wetland – and excludes all other ditches from the definition of WOTUS.
6. **Lakes and ponds:** The Agencies propose three instances where lakes and ponds would meet the definition of WOTUS: (1) lakes and ponds which are traditional navigable waters; (2) lakes and ponds that contribute perennial or intermittent flow to a traditional navigable water through one of the other categories of WOTUS; and (3) lakes and ponds flooded by any WOTUS, except an adjacent wetland, in a typical year. The Agencies expect that fewer lakes and ponds will be jurisdictional waters under the Revised WOTUS Rule.
7. **Adjacent wetlands:** While the definition of "wetland" does not change under the Revised WOTUS Rule, the Agencies are proposing to limit the scope of jurisdictional wetlands by adding the condition that the wetland be adjacent to another WOTUS. "Adjacent wetlands" is proposed to mean "wetlands that abut or have a direct hydrologic surface connection to a WOTUS." The term "abut" means "to touch at least at one point or side of a WOTUS."

The Agencies also propose to expressly exclude the following features from the definition of WOTUS under the Revised WOTUS Rule:

- Waters that are not one of the identified category WOTUS;
- Groundwater;
- Ephemeral features and storm water run-off, including sheet flow over upland;
- Non-jurisdictional ditches (see above);
- Artificially irrigated areas;
- Artificial lakes and ponds created in upland, regardless of the use of the lakes and ponds;
- Water-filled depressions created in upland incidental to mining or construction activity, and pits excavated in upland for the purpose of obtaining fill, sand or gravel;
- Storm water control features constructed in upland;
- Wastewater recycling structures created in upland, such as detention, retention and infiltration basins; and
- Waste treatment systems

CURRENT STATUS OF 2015 WOTUS RULE

On February 6, 2018, USEPA and the Army Corps published the final "Applicability Date" rule which delayed the effective date of the 2015 WOTUS rule until February 6, 2020.[3] The Applicability Date rule was intended to: (1) provide the agencies with time to develop a new rule replacing the 2015 WOTUS Rule, and (2) clarify that the pre-2015 WOTUS Rule regulations apply in the interim. Considering the uncertainty surrounding the applicability of the 2015 WOTUS resulting from the muddle of lawsuits, court orders, piecemeal rulemaking and other legal actions, the Agencies' hitting the pause button to provide the regulated community with some clarity wasn't a bad idea. Unfortunately, the effectiveness of the Applicability Date rule was short lived.

On August 16, 2018, a U.S. District Court in South Carolina issued a nationwide injunction order barring the implementation of the Applicability Date rule.[4] USEPA and the Army Corps have filed motions appealing the order and seeking a stay of the district court's decision. While the litigation continues, however, the Agencies are complying with the district court's order and have advised the public that implementation issues that arise are being handled on a case-by-case basis.

One would think that the "nationwide" injunction ordered by the South Carolina District Court means that the Applicability Date rule is void and the 2015 WOTUS Rule applies in all 50 states. Not so. As a result of the South Carolina District Court's order, the 2015 WOTUS Rule is effective in 22 states, including Ohio but, oddly enough, *not* South Carolina.[5] This is the result of federal court orders in three different cases enjoining the effectiveness of the 2015 WOTUS Rule in the other 28 states.[6]

WHAT'S NEXT

A pre-publication version of the proposed WOTUS rule can be accessed on U.S. EPA's website.[7] The agencies will take comment on the proposed Revised WOTUS Rule for 60 days after it is published in the Federal Register. It should be noted that the recent federal government shutdown has delayed the Revised WOTUS rulemaking. The proposed Revised WOTUS Rule still has not been published in the Federal Register, and USEPA and the Department of the Army moved the public hearing on the proposed rule back from January 7 to February 26, 2019.

Litigation surrounding the 2015 WOTUS Rule is ongoing, and legal challenges to the Revised WOTUS Rule are anticipated once it is finalized. The Association will continue to monitor the WOTUS rulemaking and related litigation, and will provide updates to help members wade through the WOTUS quagmire. ■

FOOTNOTES

1 90 Fed. Reg. 37,054 (June 29, 2015)

2 547 U.S. 715 (2006).

3 83 Fed. Reg. 5200 (February 6, 2018).

4 *South Carolina Coastal Conservation League, et al v. Pruitt, et al*, No. 2-18-cv-33-DCN (D.S.C. Aug. 16, 2018).

5 The 22 states in which in the 2015 WOTUS Rule applies are: California, Connecticut, Delaware, Hawaii, Illinois, Maine, Maryland, Massachusetts, Michigan, Minnesota, New Hampshire, New Jersey, New York, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, Tennessee, Vermont, Virginia and Washington.

6 *See North Dakota, et al v. USEPA*, No. 3:15-cv-59 (D. N.D. August 27,2015); *Georgia, et al., v. Pruitt, et al.*, No. 2:15-cv-79 (S.D. Ga. June 8, 2018). *Texas, et al., v. USEPA, et al.*, No. 3:15-cv-00162 (S.D. TX. September 12, 2018).

7 https://www.epa.gov/wotus-rule/revised-definition-waters-united-states-proposed-rule


STEELNATION
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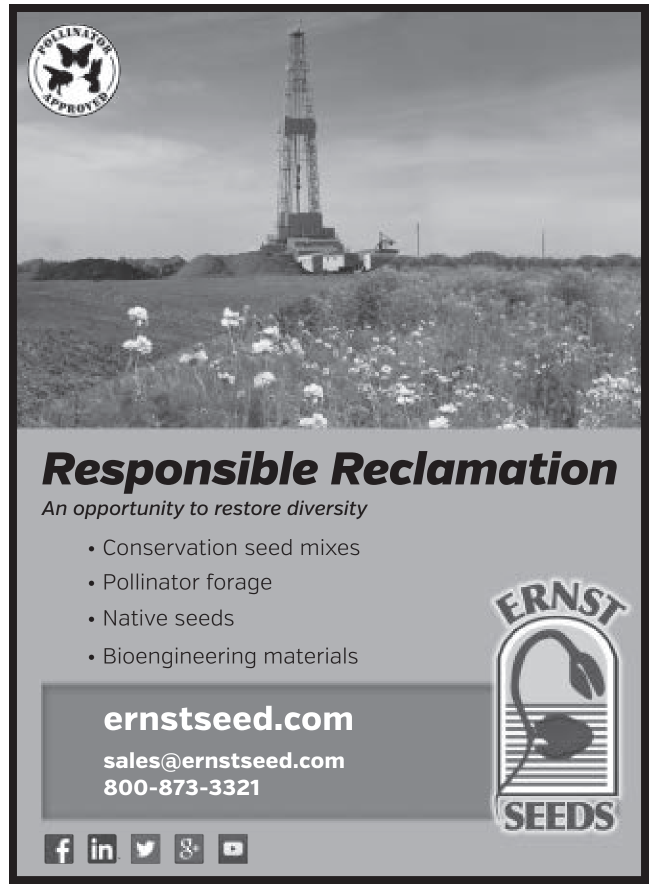
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ODNR Rules

Expected to Headline 2019 To Do List

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BY BRIAN HICKMAN, DIRECTOR OF GOVERNMENT AFFAIRS, OPERATIONS MANAGING DIRECTOR

THE ADMINISTRATION OF GOVERNOR Mike DeWine has begun to make their mark on state agencies, such as the Ohio Department of Natural Resources. When this new leadership begins their work, various rules packages for the Division of Oil and Gas Resources Management (DOGRM) are expected to be a focus.

First off is the status of the five-year rule review. As you may recall, the rules for all state agencies are to be reviewed every five years by state law. ODNR's statutorily mandated five-year rule review was to be completed by December 31, 2018. It is our understanding that completing the five-year rule review will be a priority for the incoming leadership over at the ODNR-DOGRM.

Topics such as simultaneous operations (SIMOPS), oil and gas waste and recycling facilities, well spacing, and others should begin to move once the new leadership at ODNR takes control.

We expect that DOGRM will begin their internal processes to complete these rules. We would also expect industry to be asked for their input during this process. We have heard from several OOGA members on to ways to improve some current rules. This will also be provided to DOGRM for their input and discussion into a final proposed rule.

Outside of the five-year rule review, DOGRM has also been discussing new rules. Topics such as simultaneous operations (SIMOPS), oil and gas waste and recycling facilities, well spacing, and others should begin to move once the new leadership at ODNR takes control.

With these factors as a background, members should expect the ODNR and the DOGRM to be active on the rules front in an effort to move forward on these rules this year. The OOGA will continue to remain active with the ODNR to protect our member's interests. ■

2018-19 Gas Index Prices

Month	TCo - Appalachian Index	NYMEX Monthly Settle	Dominion Appalachian Index	NYMEX 3-Day Average Settle
December 2018	4.530	4.715	4.320	4.408
January 2019	3.400	3.642	3.320	3.551
February 2019	2.740	2.950	2.710	3.013

Member Spotlight:
Tyler & Nate Levengood, Sound Energy Company, Inc.

BY LYNDSEY KLEVEN, COMMUNICATIONS MANAGER

The member spotlight series features OOGA members making an impact with their membership. If you would like to recommend someone to be highlighted, please contact Lyndsey Kleven at: lyndsey@ooga.org

NATE AND TYLER LEVENGOOD grew up in a family owned oil and gas business in Dover, Ohio. Both brothers recalled times of being "cheap labor," working for the business in any capacity that their father (Bruce Levengood) needed them. The brothers have fond memories of being woken up on weekends to work on a service rig or anything else that need done. Nate, who is six years older than Tyler, has a few more of these weekend experiences.

In 1981, Bruce Levengood, along with his brothers formed Atwood Resources, Inc., which became their turnkey drilling company. In 1988, Atwood bought Park Ohio Industries' wells; at the time prices were thought to be at the bottom which turned out not to be the case. In 1992, Atwood sold their controlling interest to Transfuel and the brothers amicably parted ways. Bruce took 100 of the old wells and started Sound Energy Company later that year. The company started as a sole proprietor and became Sound Energy Company, Inc. in 1994.

When Nate and Tyler finished high school, both of them went to college to forge their own paths. Neither had any intentions of working in the oil and gas industry. Nate went to college at Ashland University and double majored in finance and economics. After working in finance for a brief period, it quickly became apparent that he did not like cubical life and the career path he was on. As he was finishing college, his perspective of how the oil and gas business functioned began to change.

"I started to look at each well as its own invest opportunity and I was becoming very intrigued by that factor," described Nate Levengood. "You get to research and invest in new deals; and every well was its own new business deal. It wasn't hard to realize I should have been doing this the whole time."

Tyler went to Ohio University's business school and double majored in marketing and management information systems. He graduated in 2009 and went to work for an IT consulting firm in Cleveland. He then moved to take a position in Columbus working for Nationwide in its accounting department on the IT side. Later he ended up back in Cleveland to start a new position at Safe Guard Properties, still working in IT but with a focus on business intelligence, reporting data and analytics. This role is where Tyler started to really find his niche and it was his eye opener to analytics and using data to make decisions. It was shortly after this Tyler decided the time was right to return home and channel these skills into the family business.

SOUND ENERGY COMPANY

Sound Energy Company, Inc. still operates as a family business, with four full time employees. Everyone wears many hats to meet all of the business operational needs. Operating in 18 counties around eastern Ohio, its focus is mostly conventional Clinton wells. The fundamental business model is to have wells close to home that can be easily accessible within a matter of a few hours. Nate has been working there full-time since 2003 and with Tyler since 2015, when he started full-time.

Nate has experience in land work and has focused his attention away from taking new leases, to working with what they have and acquiring new production – this has been a ramification of shale's impact. In late 2013, Nate also put together a deal for expanding their focus, and now runs commercial disposal well operations in southeast Tuscarawas County. The Dennison Disposal side of the business is a large 24-hour, seven day a week facility with over ten employees, that Nate helps manage and oversee.

Tyler describes his role as operations analyst, ranging from making sure all field issues are handled, communicating with contractors and pumpers, digesting field information from pumper reports and charts, and focusing attention to profitable parts of the field. He came back to the business at a time when commodity prices were dropping, which was a tough way to start and his first real taste of the day-to-day beginnings of the industry. Quickly after starting to work together, the two brothers were able to create a great synergy, with Nate managing overall business operations and Tyler utilizing and analyzing company data and bookkeeping.

"When I was drowning in paper work getting Dennison Disposal up and running, Tyler's experience with business analytics was able to query and organize all of this data, which exponentially cut down my time doing paperwork," explained Nate.

Tyler has also been able to apply these skills to all of Sound Energy's administrative workings. The company owns about 480 producing wells, the record keeping and paperwork that goes with them consists of a tremendous amount of data. One of his primary projects after starting was getting a handle on this. He has helped Sound Energy Company utilize systems to streamline efficiencies, letting the data do the work, and making it much easier to resourcefully access all of this information.

"That's a good thing I've been able to bring from my former professional life, is my intimate knowledge of data, how to organize, structure, and use it. How to make it work for us," said Tyler. "We've come a long way and have been able to really automate a lot of our data aggregation, collection and distribution to whatever agency necessary."

INDUSTRY OVERVIEW

In 1992, Sound Energy Company started with 100 wells and their father Bruce was truly a one-man operator. The company drilled some wells over the years, becoming more oil oriented when the price of oil started rebounding in the mid 2000s. Most of what they have come from acquisitions, all conventional and some directional.

Tyler described his father's original business model as being, "if you get enough crumbs, you can make a cookie." Both of the Levengood sons spoke admirably of their father's entrepreneurial skills and strong work ethic in building the company. He managed and operated the wells, getting to know the fields and the areas he was working in everyday, which help him foster relationships and lead to numerous acquisition deals.

"We do a lot of the same things today. We may not touch each well every month, but we've kept the same approach to growth," described Tyler. "We are not doing much leasing now, there's not a lot of leases left to get. You have to be more creative, if we do want to lease, we have to really craft out a deal, the volatility of the industry can be harsh."

The industry is ever changing, and both Nate and Tyler are watchful of gas futures, trying to make smart business decisions. They both feel fortunate to have a lot of experience working in the field that they're in and finding new efficiencies to cut costs and do a lot of the work themselves.

"Our company has benefited from having positions in some areas where there was interest in shale. This has helped us through some of the lean times," said Nate. "Our bread and butter is the Clinton. We try to become more efficient and work better, living within cash flow to make it through down times."

They hold a similar outlook for where the industry is headed, with short term consolidations continuing. Nate cited more stringent regulatory policies being a major driver for pushing legacy operators with personal stakes in their operations to divest their business. For a long-term forecast, they are both optimistic for what the future holds and think there could come a time when larger operators divest non-critical fields, which could bring new opportunities and people back to the industry.

PHOTO CREDIT: SOUND ENERGY COMPANY, INC.

OOGA INVOLVEMENT

Nate cited his first involvement with the Ohio Oil & Gas Association was in 2002 when his father brought him to the Annual Meeting while he was still in college. Reflecting on changes over the years, Nate noted how the Annual Meeting was previously held in a small room, and now it hosts hundreds of attendees for a multi-day event. It also stood out to him that at that time, he was the youngest person in the room with only one other person in his early twenties in attendance. There was a clear generational gap missing with a serious lack of young adults involved. Nate felt this time period was setting up for an interesting shift to shortly follow, almost a changing of the guards.

Nate and Tyler both became involved with the OOGA when they returned to the industry and Sound Energy Company, Inc. full-time. Their father's involvement has been influential, as Bruce been an active member since the early 1980s and is on track to become the Association's president in 2021. Nate is now on the Board of Trustees and is the Region II committee chair. Tyler recently has also been increasing his involvement and has spearheaded the Region I & II golf outing the past two years.

Becoming more involved has been a good learning experience to both of them as they see the importance of the Association and are continually feeling more inspired by everything the organization is doing for the industry. They both especially see this on a legislative and policy front and feel that OOGA really takes care of successfully advocating for the industry, in whatever undertaking it become involved with.

"If we didn't have the Association, the ramifications could be detrimental for the industry. OOGA is a top-notch Association to be a part of and truly has the industry's back," said Tyler. "The staff and those highly involved with OOGA really care; they're educated and extremely committed to succeed for the oil and gas industry."

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